

# Long-Term Resources For Your Small Business

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Somewhere down the road most successful small businesses need money to expand by purchasing or leasing land or buildings. If your business is one of them, you're only a phone call or a computer click away from the U.S. Small Business Administration and the help it can provide.

Most types of for-profit small businesses qualify for the SBA's Certified Development Company (504) Loan Program. The program was designed as an economic development program that supports American small business growth and helps communities through business expansion and job creation.

As ***Your Small Business Resource***, the SBA can connect you with a network of services to fit your needs. The SBA also actively voices small-business concerns with Congress and federal agencies about government regulations, taxes, health and more.

Visit our Web site or check the government pages in your phone book for the office closest to you. The SBA and its partners can help when you need cash to grow your business.

Characteristics of a typical Certified Development Company (504) loan:

- A bank or other private lender provides 50 percent of the project cost.
- The CDC finances up to 40 percent of the project.
- The borrower provides the remaining 10 percent.
- If the business is new, or if the project involves construction of a limited- or single-purpose building, the borrower is required to cover 15 percent of the project
- If the business is new **and** the project involves a limited- or single-purpose building, the borrower must provide 20 percent.
- The small borrower payment allows the business to conserve operating capital.
- The loan is backed by a 100 percent guaranteed debenture sold to investors. The maximum debenture is \$1.5 million for businesses that create a certain number of jobs or improve the local economy.
- The debenture increases to \$2 million for projects meeting certain public policy goals, and increases to \$4 million for small manufacturers.

Examples of public policy goals include:

- Business-district revitalization
- Expansion of exports
- Expansion of minority business development
- Rural development
- Increased productivity and economic competition
- Restructuring because of federally mandated standards or policies
- Changes necessitated by federal budget cutbacks
- Expansion of small business concerns owned and controlled by veterans, especially service-disabled veterans
- Expansion of small business concerns owned and controlled by women



### **Long-Term Loans for Fixed Assets**

Eligible project costs are limited to long-term, fixed assets such as land and buildings and substantial machinery and equipment. Working capital is not an eligible use of the proceeds.

Loan terms are generally 10 or 20 years.

The 504 loan is typically secured by a second lien on the assets financed and personal guaranties by owners of 20 percent or more of the company. Collateral is typically a subordinate lien on the assets financed. This allows other assets to be free of liens and available to secure other needed financing.

504 loans are provided through Certified Development Companies. A listing of CDCs in your area is at [www.sba.gov/financing](http://www.sba.gov/financing). Highlight the hyperlink “CDC/504 Program.”

CDCs work with banks and other lenders to make loans which are secured by a first lien on the assets financed on reasonable terms. This helps lenders retain growing small business customers and may provide Community Reinvestment Act credit.